

CONFORMED COPY

LOAN NUMBER 4035 RU

Project Agreement

(Legal Reform Project)

between

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

and

RUSSIAN FOUNDATION FOR LEGAL REFORM

Dated June 21, 1996

LOAN NUMBER 4035 RU

PROJECT AGREEMENT

AGREEMENT, dated June 21, 1996, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank) and RUSSIAN FOUNDATION FOR LEGAL REFORM (the RFLR).

WHEREAS by the Loan Agreement of even date herewith between the Russian Federation (the Borrower) and the Bank, the Bank has agreed to make available to the Borrower an amount in various currencies equivalent to fifty eight million dollars (\$58,000,000), on the terms and conditions set forth in the Loan Agreement, but only on condition that the RFLR agree to undertake such obligations toward the Bank as are set forth in this Agreement; and

WHEREAS the RFLR, in consideration of the Bank's entering into the Loan Agreement with the Borrower, has agreed to undertake the obligations set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

Definitions

Section 1.01. Unless the context otherwise requires, the several terms defined in the Loan Agreement, the Preamble to this Agreement and

the General Conditions (as so defined) have the respective meanings therein set forth.

ARTICLE II

Execution of the Project

Section 2.01. (a) The RFLR declares its commitment to the objectives of the Project as set forth in Schedule 2 to the Loan Agreement, and, to this end, shall carry out the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, and business practices, and shall provide, or cause to be provided, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Bank and the RFLR shall otherwise agree, the RFLR shall carry out the Project in accordance with the Implementation Program set forth in Schedule 2 to this Agreement.

Section 2.02. Except as the Bank shall otherwise agree, procurement of the goods, works and consultants' services required for the Project and to be financed out of the proceeds of the Loan shall be governed by the provisions of Schedule 1 to this Agreement.

Section 2.03. (a) The RFLR shall carry out the obligations set forth in Sections 9.04, 9.05, 9.06, 9.07, 9.08 and 9.09 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) in respect of the Project Agreement.

(b) Without limitation upon the provisions of paragraph (a) of this Section, the RFLR shall:

- (i) prepare, on the basis of guidelines acceptable to the Bank, and furnish to the Bank not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Bank and the RFLR, a plan for the future operation of the Project;
- (ii) afford the Bank a reasonable opportunity to exchange views with the RFLR on said plan; and
- (iii) thereafter, carry out said plan with due diligence and efficiency and in accordance with appropriate practices, taking into account the Bank's comments thereon.

Section 2.04. (a) The RFLR shall, at the request of the Bank, exchange views with the Bank with regard to progress of the Project, the performance of its obligations under this Agreement and other matters relating to the purposes of the Loan.

(b) The RFLR shall promptly inform the Bank of any condition which interferes or threatens to interfere with the progress of the Project, the accomplishment of the purposes of Loan, or the performance by the RFLR of its obligations under this Agreement.

ARTICLE III

Management and Operations of the RFLR

Section 3.01. The RFLR shall carry on its operations and conduct its affairs in accordance with sound administrative and financial practices under the supervision of qualified and experienced management assisted by competent staff in adequate numbers.

Section 3.02. The RFLR shall at all times operate and maintain its equipment and other property, and from time to time, promptly as needed, make all necessary repairs and renewals thereof, all in accordance with sound engineering, financial and business practices.

Section 3.03. The RFLR shall take out and maintain with responsible insurers, or make other provision satisfactory to the Bank for, insurance against such risks and in such amounts as shall be consistent with appropriate practice.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The RFLR shall maintain records and accounts adequate to reflect in accordance with sound accounting practices its operations and financial condition.

(b) The RFLR shall:

- (i) have its records, accounts and financial statements (balance sheets, statements of income and expenses and related statements) for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Bank;
- (ii) furnish to the Bank as soon as available, but in any case not later than six (6) months after the end of each such year: (A) certified copies of its financial statements for such year as so audited; and (B) the report of such audit by said auditors of such scope and in such detail as the Bank shall have reasonably requested; and
- (iii) furnish to the Bank such other information concerning said records, accounts and financial statements as well as the audit thereof, as the Bank shall from time to time reasonably request.

ARTICLE V

Effective Date; Termination; Cancellation and Suspension

Section 5.01. This Agreement shall come into force and effect on the date upon which the Loan Agreement becomes effective.

Section 5.02. This Agreement and all obligations of the Bank and of the RFLR thereunder shall terminate on the date on which the Loan Agreement shall terminate in accordance with its terms, and the Bank shall promptly notify the RFLR thereof.

Section 5.03. All the provisions of this Agreement shall continue in full force and effect notwithstanding any cancellation or suspension under the General Conditions.

ARTICLE VI

Miscellaneous Provisions

Section 6.01. Any notice or request required or permitted to be given or made under this Agreement and any agreement between the parties contemplated by this Agreement shall be in writing. Such notice or request shall be deemed to have been duly given or made when it shall be delivered by hand or by mail, telegram, cable, telex or radiogram to the party to which it is required or permitted to be given or made at such party's address hereinafter specified or at such other address as such party shall have designated by notice to the party giving such notice or making such request. The addresses so specified are:

For the Bank:

International Bank for
Reconstruction and Development
1818 H Street, N.W.

Washington, D.C. 20433
United States of America

Cable address:	Telex:
INTBAFRAD	197688 (TRT),
Washington, D.C.	248423 (RCA),
	64145 (WUI) or
	82987 (FTCC)

For the RFLR:

Russian Foundation for
Legal Reform
Kotelnicheskaya Naberezhnaya
Dom 17
Moscow, Russian Federation

Section 6.02. Any action required or permitted to be taken, and any document required or permitted to be executed, under this Agreement on behalf of the RFLR may be taken or executed by its President or such other person or persons as such President shall designate in writing, and such President shall furnish to the Bank sufficient evidence of the authority and the authenticated specimen signature of each such person.

Section 6.03. This Agreement may be executed in several counterparts, each of which shall be an original, and all collectively but one instrument.

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in the District of Columbia, United States of America, as of the day and year first above written.

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Yukon Huang
Acting Regional Vice President
Europe and Central Asia

RUSSIAN FOUNDATION FOR
LEGAL REFORM

By /s/ Vassily Beliukin
Authorized Representative

SCHEDULE 1

Procurement and Consultants' Services

Section I: Procurement of Goods and Works

Part A: General

Goods shall be procured in accordance with the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in January 1996 (the Guidelines), and the following provisions of this Section, as applicable.

Part B: International Competitive Bidding

1. Except as otherwise provided in Part C of this Section, goods shall be procured under contracts awarded in accordance with the provisions of Section II of the Guidelines and paragraph 5 of Appendix 1 thereto.

2. The following provisions shall apply to goods to be procured under

contracts awarded in accordance with the provisions of paragraph 1 of this Part B:

(a) Preference for Domestically Manufactured Goods

The provisions of paragraphs 2.54 and 2.55 of the Guidelines and Appendix 2 thereto shall apply to goods manufactured in the territory of the Borrower.

(b) Notification and Advertising

The invitation to prequalify or bid for each contract estimated to cost \$10,000,000 equivalent or more shall be advertised in accordance with the procedures applicable to large contracts under paragraph 2.8 of the Guidelines.

Part C: Other Procurement Procedures

1. International Shopping

Office equipment, including telephone exchanges, copiers, fax machines, and microcomputers, estimated to cost more than \$50,000, but \$300,000 equivalent or less per contract, may be procured under contracts awarded on the basis of international shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

2. National Shopping

Telephones, local area networks wiring, library supplies, and office supplies, estimated to cost \$50,000 equivalent or less per contract and \$900,000 equivalent or less in the aggregate (which aggregate shall not apply in the case of goods financed under Part E of the Project), may be procured under contracts awarded on the basis of national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

3. Procurement of Small Works

Eligible works estimated not to exceed \$75,000 equivalent per contract, and not to exceed \$600,000 in the aggregate, shall be procured and awarded on the basis of quotations obtained from three qualified domestic contractors in response to a written invitation. The invitation shall include a detailed description of the works, including basic specifications, the required completion date, a basic form of agreement acceptable to the Bank, and relevant drawings, where applicable. The award shall be made to the contractor who offers the lowest price quotation for the required work, and who has the experience and resources to successfully complete the contract.

Part D: Review by the Bank of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to prequalify for bidding or to bid for contracts, the proposed procurement plan for the Project shall be furnished to the Bank for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Guidelines. Procurement of all goods and works shall be undertaken in accordance with such procurement plan as shall have been approved by the Bank, and with the provisions of said paragraph 1.

2. Prior Review

With respect to: (a) the first two contracts under Parts C.1 and C.2 hereof; and (b) each contract under Parts B and C.3 hereof, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the

Guidelines shall apply.

Section II. Employment of Consultants

1. Consultants' services shall be procured under contracts awarded in accordance with the provisions of the "Guidelines for the Use of Consultants by World Bank Borrowers and by The World Bank as Executing Agency" published by the Bank in August 1981 (the Consultant Guidelines). For complex, time-based assignments, such contracts shall be based on the standard form of contract for consultants' services issued by the Bank, with such modifications as shall have been agreed by the Bank. Where no relevant standard contract documents have been issued by the Bank, other standard forms acceptable to the Bank shall be used.

2. Notwithstanding the provisions of paragraph 1 of this Section, the provisions of the Consultant Guidelines requiring prior Bank review or approval of budgets, short lists, selection procedures, letters of invitation, proposals, evaluation reports and contracts shall not apply to: (a) contracts for the employment of consulting firms estimated to cost less than \$100,000 equivalent each; or (b) contracts for the employment of individuals estimated to cost less than \$50,000 equivalent each. However, said exceptions to prior Bank review shall not apply to: (a) the terms of reference for such contracts; (b) single-source selection of consulting firms; (c) assignments of a critical nature, as reasonably determined by the Bank; (d) amendments to contracts for the employment of consulting firms raising the contract value to \$100,000 equivalent or above; or (e) amendments to contracts for the employment of individual consultants raising the contract value to \$50,000 equivalent or above.

SCHEDULE 2

Implementation Program

I. Organization and Management of the RFLR

1. The RFLR shall prepare not later than October 1 of each year an organization and staffing plan for the following year, which shall be acceptable to the Bank.
2. The RFLR shall have core management including a president, a financial officer, an operations director and a procurement coordinator.
3. The management of the RFLR, under the direction of its President and with the input of its Council of Trustees, shall be responsible for ensuring overall coordination, management and monitoring of the Project, including the carrying out of any procurement and disbursement functions for the Project.
4. In coordinating the Project, the RFLR shall work closely with other relevant agencies, entities and branches of the Borrower to ensure effective implementation.

II. Annual Work Program and Mid-term Review

1. The RFLR shall present the Bank by October 1 of each year with a proposed work program under the Project for the following year, involving details on implementation and financing (including the increasing counterpart contribution to operating costs), and shall carry out the program as agreed with the Bank (the Annual Work Program).
2. The RFLR shall cooperate with the Borrower in carrying out the obligations referred to in Section 3.04 of the Loan Agreement.

III. Part A of the Project

1. In carrying out Part A.1, the RFLR shall present as part of the Annual Work Program a list of proposed legal enactments which shall meet the following criteria:
 - a. The proposed enactments shall be of high priority to the Borrower and consistent with the Borrower's economic reform program.

b. The proposal for technical assistance shall avoid duplicating work already undertaken, or funded, by other donor agencies.

c. The proposal shall identify appropriate estimated costing, required inputs and other information requested by the Bank.

2. Pilot areas selected under Part A.4 shall consist of Orel Oblast and Sverdlovsk Oblast, or such other areas agreed with the Bank, and the activities therein shall be carried out in accordance with arrangements acceptable to the Bank.

3. Studies under Parts A.2 and 3 shall be carried out under terms of reference acceptable to the Bank.

IV. Part B of the Project

The study and needs assessment under Parts B.1 and 2 shall be carried out under terms of reference acceptable to the Bank.

V. Part C of the Project

Programs and activities under Part C shall be carried out in accordance with criteria acceptable to the Bank.

VI. Part D of the Project

1. The needs assessment referred to in Part D.1 shall be carried out under terms of reference acceptable to the Bank.

2. Training and other programs under Parts D.2 and 3 shall be carried out under criteria acceptable to the Bank.

3. Workshops under Part D.4 shall be carried out under programs acceptable to the Bank.

VII. Part E of the Project

Sub-projects shall consist of high priority legal reform activities and project preparation actions which are accepted by the Bank and are consistent with the Project objectives. Such Sub-projects shall be submitted to the Bank for approval along with the following information:

- (i) a description of the proposed Sub-project, including a time schedule for, the purposes and objectives of, and the benefits expected from such Sub-project;
 - (ii) a description of the role of the department, agency or entity benefiting from or responsible for the implementation of the proposed Sub-project;
 - (iii) a description of the expenditures proposed to be financed out of the proceeds of the Loan, including an estimate of the foreign and local costs of the proposed Sub-project broken down by major items and showing amounts to be financed out of the proceeds of the Loan, respectively, and an estimated disbursement schedule;
 - (iv) the proposed selection procedures, qualifications, terms of reference and duration of service for any consultants to be engaged for the purposes of the proposed Sub-project or any goods provided therefor; and
 - (v) such other information as the Bank may reasonably request.
- 